

**WOODFORD COUNTY SCHOOL DISTRICT**

**Basic Financial Statements and Supplementary  
Information**

Year ended June 30, 2008

# WOODFORD COUNTY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Woodford County School District  
Versailles, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodford County School District (the "District") as of June 30, 2008 and for the year then ended which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodford County School District as of June 30, 2008 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2008 on our consideration of Woodford County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 10 and 41 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The fund financial statements shown on pages 37 through 40 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 43 - 44 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Maunz & Bruehl, LLP*

Lexington, Kentucky  
November 13, 2008

**WOODFORD COUNTY PUBLIC SCHOOL DISTRICT – VERSAILLES, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

As management of the Woodford County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. The reporting model is a combination of both government-wide financial statements and fund financial statements.

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$9.5 million in 2008 and \$6.1 million in 2007. This is an increase of \$3.5 million. The difference is primarily attributable to proceeds from the sale of bonds to finance a school renovation project that was in process at year end.
- From 2007 to 2008, total General Fund revenue increased by \$1.6 million, due primarily to increased local tax revenue, on behalf payments and state funding for education.
- Among major funds, the General Fund had \$25.6 million in revenue, which consisted primarily of local property, utilities, and motor vehicle taxes, state funding (the SEEK program), and on-behalf payments. There were \$25.4 million in expenditures.
- The District granted a \$3,000 per base certified salary increase, and a five percent classified salary increase for the entire year. Employee benefit expense increased commensurately and in accordance with state-established rates, with the exception of the employer's contribution for classified employees' retirement accounts, which experienced a 22.6 percent rate increase.
- The Superintendent remained the same as in 2007. The Board elected a new chairperson and vice chairperson in January 2007, with both remaining the same for the 2008 fiscal year.
- The District maintained its long-range plan for facilities during fiscal year 2008. Construction commenced on an \$8.5 million renovation project on an existing elementary school, primarily supported by bonded funds. Completion is scheduled for mid-2009; however, every indication is that it will be completed ahead of schedule and within budget. Renovation of an occupied facility always presents challenges. The general contractor has been very accommodating in providing for the health and safety of all students and staff.
- At times, bonds are issued as the District renovates and builds new facilities, consistent with the long-range facility plan and in keeping with Kentucky Department of Education's (KDE) stringent compliance requirements. A new bond issue was completed in 2008, with the first payment becoming due in 2009. The District continued to make scheduled payments on all other bonds in accordance with its pre-authorized amortization schedule.
- The superintendent officially retired at the end of June 2008. The Board conducted a nation-wide search for his replacement, and named an individual in February 2008 to begin July 1, 2008. While the new superintendent will have a considerable influence on the management style and program direction of the school system, other personnel are in place to assure continuity and consistency regarding the ongoing financial affairs of the District.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 11 - 12 of this report.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts, utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The proprietary fund includes the food service and daycare operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 17 of this report.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15.8 million.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net Assets for the period ending June 30, 2008

The District is following GASB 34 and comparing assets, liabilities, and net assets. 2008 Government Wide Net Assets compared to 2007 are as follows:

**Table One:**  
**Net Assets**

	2008	2007
Current assets	\$ 11,140,236	\$ 7,369,312
Noncurrent assets	43,482,741	40,047,163
<b>Total assets</b>	<b>\$ 54,622,977</b>	<b>\$ 47,416,475</b>
Current liabilities	\$ 3,734,356	\$ 2,149,603
Noncurrent liabilities	35,074,879	30,181,228
<b>Total liabilities</b>	<b>\$ 38,809,235</b>	<b>\$ 32,330,831</b>
<b>Net Assets</b>		
Investment in capital assets (net of related debt)	\$ 6,735,894	\$ 8,386,800
Restricted	4,918,959	2,234,604
Unrestricted	4,158,889	4,464,240
<b>Total net assets</b>	<b>\$ 15,813,742</b>	<b>\$ 15,085,644</b>

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- Construction bond proceeds were not fully expended on June 30, 2008, and were restricted in the amount of \$5.8 million, pending completion of the elementary and middle school projects.
- As evidence of the construction in progress, non-depreciable capital assets increased, as did total assets. Accordingly, the corresponding current and long-term liabilities increased, reflecting the indebtedness incurred as a result of financing that project.
- The Commonwealth of Kentucky continued an Instructional Device Upgrade (IDU) program, completing the purchases that were funded over two years. The program was designed to provide replacement of instructional computers at a value of \$152,000, and this is reflected in on-behalf revenue and increases to non-current assets. There is no corresponding debt.

Table Two contains a comparison of capital assets between 2008 and 2007.

**Table Two:**  
**Capital Assets (Net of Depreciation)**

	Governmental	Governmental	Business-	Business-		
	Activities	Activities	Type	Type	Total	Total
	2008	2007	Activities	Activities	2008	2007
	2008	2007	2008	2007	2008	2007
Land	\$ 1,453,384	\$ 1,453,384	\$ -	\$ -	\$ 1,453,384	\$ 1,453,384
Land Improvements	162,025	176,540	-	-	162,025	176,540
Buildings and Building Improvements	33,335,648	34,501,728	-	-	33,335,648	34,501,728
Technology Equipment	879,475	873,247	1,263	2,131	880,738	875,378
Vehicles	896,825	1,021,073	-	-	896,825	1,021,073
General Equipment	1,510,429	1,478,531	-	-	1,510,429	1,478,531
Food Service Equipment	-	-	59,135	78,908	59,135	78,908
Construction in Progress	4,635,489	-	-	-	4,635,489	-
Total	\$ 42,873,275	\$ 39,504,503	\$ 60,398	\$ 81,039	\$ 42,933,673	\$ 39,585,542

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### **Budgetary Implications**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's budget is prepared according to Kentucky law and is based upon certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year, but are, nevertheless, reflected in the overall budget. The Board, in compliance with statute, adopts a tentative budget by the end of May for the subsequent year. A working budget is adopted by the end of September for each fiscal year, following the determination of the enrollment at the beginning of the new school year, the tax assessments and rates that will be used to determine the property tax revenues, and the salaries for the new employees/positions.

The most significant budgeted fund is the General Fund. By law, the budget for the General Fund must have a minimum 2% contingency, based upon expenses for all non-construction funds. The Board adopted a working budget for fiscal year 2008 with a contingency of \$1,488,648. This represents 4.43% of the budgeted expense for all non-construction funds. Each construction project maintains its own contingency in the amount of 5% for a major project.

Generally, there are no major subsequent adjustments to the budget adopted in September. Additional grants, however, as a part of the Special Revenue Fund, are added if/when they are awarded.

### **Comments on Budget Comparisons**

- The District's total governmental fund revenues for the fiscal year ended June 30, 2008, net of interfund transfers and on-behalf revenue, was \$27 million.
- General Fund budget compared to actual revenue, excluding on-behalf payments, varied slightly from line item to line item, with the ending actual balance being \$1.7 million more than budget. This was attributable primarily to increased local tax revenue, and additional state SEEK funding due to a corresponding growth in student numbers.
- The total cost of all governmental programs and services was \$31 million, net of interfund transfers and on-behalf payments.
- General Fund budget compared to actual expenditures, excluding on-behalf payments and fund transfers, varied slightly from line item to line item, with the actual ending balance being \$1.1 million less than budget, exclusive of contingency. Contingency budget to actual expenditures varied by \$1.4 million, due to planned, and mandated, preservation of those contingency funds.
- Expenditure functions that include personnel costs reflect a negative actual versus budget in the employee benefits category due to recording of unbudgeted on-behalf payments. On-behalf payments, as defined by KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, flexible spending medical reimbursement accounts, teacher retirement contributions, and administration fees. For the audited financial reports, such on-behalf payments were added to the District's related revenue and expense line items. It is notable that on-behalf payments represent state obligations, not District obligations. Therefore, they have not been included as part of the budgeting process for the General Fund. As a result, the variances between amounts budgeted for the General Fund and the actual results may be skewed by on-behalf payments. Further discussion of these can be found in Note N on page 35.
- Interfund transfers occur in order to record the expenditure in the appropriate fund. Detail regarding those transfers can be found in Note O on page 35.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2008 and 2007.

**Table Three:**  
**Revenue and Expense Summary**

		<b>2008</b>	<b>2007</b>
<b>Revenues:</b>			
	Local revenue sources	\$ 12,491,707	\$ 11,967,678
	State revenue sources	17,285,883	16,399,619
	Federal revenue sources	1,663,316	1,617,795
	Investments	352,681	615,480
	Other revenues	188,564	183,212
	<b>Total revenue</b>	<b>31,982,151</b>	<b>30,783,784</b>
<b>Expenses:</b>			
	Instruction	19,047,476	17,604,589
	Student support services	1,176,032	1,145,510
	Instructional support services	1,108,758	1,000,026
	District administration	833,975	809,509
	School administration	1,390,059	1,324,135
	Business support	559,281	608,212
	Plant operation & maintenance	2,388,417	2,307,093
	Student transportation	1,884,324	1,810,859
	Facility acquisition and construction	4,712,083	526,678
	Community services	374,667	333,634
	Debt Service	2,630,531	10,418,314
	<b>Total expenses:</b>	<b>36,105,603</b>	<b>37,888,559</b>
<b>Revenue in excess of expense:</b>		<b>\$ (4,123,452)</b>	<b>\$ (7,104,775)</b>

- The changes in the balances and transactions of individual funds, except as noted above, have not been material. Changes in final budget when compared to original are not material. A bond was refunded and reissued at a lower interest rate in 2007, resulting in an additional expense of \$7.3 million last year. In addition, a new building renovation project resulted in a \$4 million increase in construction expense in 2008. The remaining excess of revenue over expenditures in the construction fund will be utilized in 2009 as the project is completed.

- Under Kentucky statute, state SEEK funding is tied to District property assessments and student average daily attendance. In 2008, the District's property values increased somewhat, and student attendance increased by approximately 3.5%. Consequently, the local and state revenue increased proportionately, and funding percentages for local and federal revenue tilted slightly. In 2008, exclusive of on-behalf payments, 49.29% of General Fund revenue was derived from local revenue and 49.65% from state funding, as compared with 51.24% and 47.78% respectively in fiscal 2007. This is illustrated in Table Four.

**Table Four:**  
**General Fund Revenue**

Revenue Source	2008 \$	2008 %	2007 \$	2007 %
Local Revenue	\$ 10,511,943	49.29 %	\$ 10,261,773	51.24 %
State Revenue	10,587,537	49.65 %	9,568,906	47.78 %
Federal & Other Sources	225,706	1.06 %	197,768	0.98 %
Total Revenue	\$ 21,325,186	100.0 %	\$ 20,028,447	100.0 %

Funds were allocated to the schools by a series of formulas designed to meet their instructional needs. Site Based Decision Making (SBDM) Councils exercise site authority regarding spending priorities and program needs. Budget allocations to SBDM's are based upon average daily attendance and data-driven needs. Consequently, the budgeted amounts and categories of expenditures are modified each year to reflect site-based numbers and priority of needs. The majority of the Non-SBDM funds were allocated for transportation, and services for children with special needs. The remaining portion was budgeted for district-wide initiatives and central support services. Table Five depicts the allocation of General Fund resources, which excludes fund transfers, for fiscal years 2008 compared with 2007.

**Table Five:**  
**General Fund Budget by Category**

Category	2008 \$	2008 %	2007 \$	2007 %
Employee Salaries & Benefits	\$ 18,343,192	77.2 %	\$ 16,945,846	80.0 %
Books, Supplies, Equipment	2,682,938	11.2 %	2,187,495	10.3 %
Contracted Services & Other	1,260,955	5.3 %	1,207,841	5.7 %
Contingency	1,488,648	6.3 %	852,294	4.0 %
Total	\$ 23,775,733	100.0 %	\$ 21,193,476	100.0 %

The high percentage of budget that has been allocated to personnel costs underlines the District's commitment to improving student achievement. It has been well documented that direct teacher-to-student instruction has the greatest impact on educational success.

### **Business-Type Activity**

The business-type activities of the District are the food service and daycare operations.

Revenues for food service operations come primarily from sales to students and others, plus federal and state contributions. The federal government also contributes commodities to assist with the cost of food served. While the food service operation did not operate at a profit for the 2008 fiscal year, it did implement a number of changes during the year which reduced expenses. Additionally, the school board voted to raise lunch prices for 2009. This will help to offset the rising cost of food, which has been dramatically impacted by the rise in fuel and delivery prices. The entire operation is being monitored in an ongoing fashion in order to improve efficiency and profitability.

Two facilities provide daycare for infant through pre-school age children. The daycare operation derives its revenue from tuition-paying students. The operation is continuously monitored to ensure that it is self-supporting, and tuition prices are adjusted as needed to accommodate that objective.

### **Contacting the District's Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with the general overview of the District's finances and to reflect the District's accountability for the funds it receives. More detailed information regarding the component units is available in the separately issued financial statements, attached herewith. Questions or comments regarding this report should be directed by mail to Scott Hawkins, Superintendent, or Gail Binder, Director of Finance and Business, at 330 Pisgah Pike, Versailles, KY 40383.

# WOODFORD COUNTY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

Year ended June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 9,429,202	\$ 90,022	\$ 9,519,224
Prepays	430,001	-	430,001
Inventory	-	19,547	19,547
Due from other funds	162,901	-	162,901
Accounts receivable			
Taxes	398,911	-	398,911
Intergovernmental - State	107,015	-	107,015
Intergovernmental - Federal	378,563	66,999	445,562
Other receivables	56,172	903	57,075
<b>Total current assets</b>	<u>10,962,765</u>	<u>177,471</u>	<u>11,140,236</u>
<b>Noncurrent assets</b>			
Capital assets, net	36,784,402	60,398	36,844,800
Nondepreciable capital assets	6,088,873	-	6,088,873
Bond issue costs	549,068	-	549,068
<b>Total noncurrent assets</b>	<u>43,422,343</u>	<u>60,398</u>	<u>43,482,741</u>
<b>Total assets</b>	<u>\$ 54,385,108</u>	<u>\$ 237,869</u>	<u>\$ 54,622,977</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 1,532,732	\$ 56	\$ 1,532,788
Interest payable	242,643	-	242,643
Due to other funds	-	162,901	162,901
Current portion of long term liabilities	1,480,000	-	1,480,000
Current portion of capital lease obligations	47,779	-	47,779
Deferred revenues	76,316	-	76,316
Other current liabilities	191,929	-	191,929
<b>Total current liabilities</b>	<u>3,571,399</u>	<u>162,957</u>	<u>3,734,356</u>
<b>Noncurrent liabilities</b>			
Noncurrent portion of long term liabilities	34,670,000	-	34,670,000
Noncurrent portion of accrued sick leave	404,879	-	404,879
<b>Total noncurrent liabilities</b>	<u>35,074,879</u>	<u>-</u>	<u>35,074,879</u>
<b>Total liabilities</b>	<u>\$ 38,646,278</u>	<u>\$ 162,957</u>	<u>\$ 38,809,235</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 6,675,496	\$ 60,398	\$ 6,735,894
Restricted for:			
Capital projects	4,918,959	-	4,918,959
Unrestricted	4,144,375	14,514	4,158,889
<b>Total net assets</b>	<u>\$ 15,738,830</u>	<u>\$ 74,912</u>	<u>\$ 15,813,742</u>

See accompanying independent auditor's report  
and notes to financial statements.

**WOODFORD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2008

See accompanying independent auditor's report and notes to financial statements.

# WOODFORD COUNTY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

Year ended June 30, 2008

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Building Fund	Capital Outlay (Nonmajor)	Total Governmental Funds
<b>Assets and resources</b>							
Cash and cash equivalents	\$ 3,434,549	\$ (394,973)	\$ 5,822,141	\$ 13,675	\$ 553,810	\$ -	\$ 9,429,202
Prepaids	734,944	-	-	-	-	-	734,944
Due from other funds	162,901	-	-	-	-	-	162,901
Accounts receivable							
Taxes	398,911	-	-	-	-	-	398,911
Intergovernmental - state	5,581	101,434	-	-	-	-	107,015
Intergovernmental - Federal	13,080	365,483	-	-	-	-	378,563
Other receivables	51,707	4,466	-	-	-	-	56,173
<b>Total assets and resources</b>	<b>\$ 4,801,673</b>	<b>\$ 76,410</b>	<b>\$ 5,822,141</b>	<b>\$ 13,675</b>	<b>\$ 553,810</b>	<b>\$ -</b>	<b>\$ 11,267,709</b>
<b>Liabilities and fund balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 75,646	\$ 94	\$ 1,456,992	\$ -	\$ -	\$ -	\$ 1,532,732
Accrued payroll and related liabilities	2,227	-	-	-	-	-	2,227
Current portion of accrued sick leave	75,863	-	-	-	-	-	75,863
Deferred revenue	-	76,316	-	-	-	-	76,316
Accrued vacation	113,840	-	-	-	-	-	113,840
<b>Total liabilities</b>	<b>267,576</b>	<b>76,410</b>	<b>1,456,992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,800,978</b>
<b>Fund balances</b>							
Reserved							
Retirement leave payable	202,440	-	-	-	-	-	202,440
Unreserved							
General fund	4,331,657	-	-	-	-	-	4,331,657
Building funds	-	-	-	-	553,810	-	553,810
Construction funds	-	-	4,365,149	-	-	-	4,365,149
Debt service funds	-	-	-	13,675	-	-	13,675
<b>Total fund balances</b>	<b>4,534,097</b>	<b>-</b>	<b>4,365,149</b>	<b>13,675</b>	<b>553,810</b>	<b>-</b>	<b>9,486,731</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,801,673</b>	<b>\$ 76,410</b>	<b>\$ 5,822,141</b>	<b>\$ 13,675</b>	<b>\$ 553,810</b>	<b>\$ -</b>	<b>\$ 11,267,709</b>

See accompanying independent auditor's report and notes to financial statements.

# WOODFORD COUNTY SCHOOL DISTRICT

## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance per fund financial statements	\$ 9,466,731
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	42,873,275
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Certain assets are not reported in the fund financial statements because they are not available to pay current period expenditures, but they are reported in the statement of net assets.	549,067
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable but they are presented in the statement of net assets.	<u>(37,150,243)</u>
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Net assets of governmental activities	\$ <u>15,738,830</u>
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See accompanying independent auditor's report and notes to financial statements.

**WOODFORD COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

Year ended June 30, 2008

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Building Fund	Capital Outlay (Nonmajor)	Total Governmental Funds
<b>Revenues</b>							
From local sources							
Property taxes	\$ 7,219,377	\$ -	\$ -	\$ -	\$ 2,180,614	\$ -	\$ 9,399,991
Motor vehicle taxes	834,621	-	-	-	-	-	834,621
Utility taxes	1,878,911	-	-	-	-	-	1,878,911
Distilled spirits taxes	148,182	-	-	-	-	-	148,182
Other taxes	129,155	-	-	-	-	-	129,155
Tuition and fees	23,595	-	-	-	-	-	23,595
Earnings on investments	-	342	63,689	10,548	-	-	352,681
Other local revenues	278,102	77,252	-	-	-	-	77,252
State sources							
SEEK							
On-behalf revenues	10,540,701	-	-	-	-	-	10,540,701
Other	4,331,868	152,269	-	-	-	-	4,484,137
Federal - indirect	46,836	1,424,876	-	316,453	112,840	360,040	2,261,045
Other revenues	37,142	1,626,174	-	-	-	-	1,663,316
	188,564	-	-	-	-	-	188,564
<b>Total revenue</b>	<b>25,657,054</b>	<b>3,280,913</b>	<b>63,689</b>	<b>327,001</b>	<b>2,293,454</b>	<b>360,040</b>	<b>31,982,151</b>
<b>Expenditures</b>							
Instruction							
Support services							
Student	16,265,048	2,782,428	-	-	-	-	19,047,476
Instruction staff	1,176,032	-	-	-	-	-	1,176,032
District administration	923,637	185,121	-	-	-	-	1,108,758
School administration	833,975	-	-	-	-	-	833,975
Business	1,390,059	-	-	-	-	-	1,390,059
Plant operation and maintenance	559,281	-	-	-	-	-	559,281
Student transportation	2,388,417	-	-	-	-	-	2,388,417
Facilities acquisition and construction	1,849,108	35,216	-	-	-	-	1,884,324
Community service activities	-	-	4,712,083	-	-	-	4,712,083
Adult education	36,319	136,533	-	-	-	-	172,852
Debt service	13,868	187,947	-	-	-	-	201,815
	-	-	122,097	2,508,434	-	-	2,630,531
<b>Total expenditures</b>	<b>25,435,744</b>	<b>3,327,245</b>	<b>4,834,180</b>	<b>2,508,434</b>	<b>-</b>	<b>-</b>	<b>36,105,603</b>
Excess (deficit) of revenues over expenditures	221,310	(46,332)	(4,770,491)	(2,181,433)	2,293,454	360,040	(4,123,452)
<b>Other financing sources (uses)</b>							
Proceeds from sale of bonds	-	-	6,433,241	-	-	-	6,433,241
Proceeds from sale of fixed assets	53,501	-	-	-	-	-	53,501
Operating transfers in	-	46,332	2,275,500	2,195,108	7,976	-	4,524,916
Operating transfers out	(62,345)	-	(136,321)	-	(3,982,224)	(360,040)	(4,540,930)
<b>Total other financing sources (uses)</b>	<b>(8,844)</b>	<b>46,332</b>	<b>8,572,420</b>	<b>2,195,108</b>	<b>(3,974,248)</b>	<b>(360,040)</b>	<b>6,470,128</b>

**WOODFORD COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

Year ended June 30, 2008

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Building Fund	Capital Outlay (Nonmajor)	Total Governmental Funds
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	212,466	-	3,801,929	13,675	(1,680,794)	-	2,347,276
Fund balance, July 1, 2007	<u>4,321,631</u>	<u>-</u>	<u>563,220</u>	<u>-</u>	<u>2,234,604</u>	<u>-</u>	<u>7,119,455</u>
Fund balance, June 30, 2008	<u>\$ 4,534,097</u>	<u>\$ -</u>	<u>\$ 4,365,149</u>	<u>\$ 13,675</u>	<u>\$ 553,810</u>	<u>\$ -</u>	<u>\$ 9,466,731</u>

See accompanying independent auditor's report  
and notes to financial statements.

## WOODFORD COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2008

Net change in total fund balances per fund financial statements	\$ 2,347,276
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation for the year.	3,382,928
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Bond proceeds provide current financial resources for government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Bond accrued interest, capital lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets. The difference is the amount by which bond proceeds exceed accrued interest, capital lease payments, and bond payments.	(5,071,598)
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Bond issuance costs are recognized as expenditures of current financial resources in the fund financial statement but are capitalized and amortized in the statement of activities. This difference is the amount by which bond issuance costs exceed amortization expense.	87,451
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Gains and losses are not presented in this financial statement because they do not provide or use current financial resources, but they are presented in the statement of activities.	<u>(14,159)</u>
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Change in net assets of governmental activities	\$ <u><u>731,898</u></u>
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See accompanying independent auditor's report  
and notes to financial statements.

**WOODFORD COUNTY SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

June 30, 2008

	Food Service and Summer Feeding Fund	Other Enterprise Fund	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 16,013	\$ 74,009	\$ 90,022
Inventory	19,547	-	19,547
Accounts receivable			
Intergovernmental - direct Federal	66,999	-	66,999
Other receivables	-	903	903
<b>Total current assets</b>	102,559	74,912	177,471
<b>Noncurrent assets</b>			
Capital assets	409,253	-	409,253
Less: accumulated depreciation	(348,855)	-	(348,855)
<b>Total noncurrent assets</b>	60,398	-	60,398
<b>Total assets</b>	<u>\$ 162,957</u>	<u>\$ 74,912</u>	<u>\$ 237,869</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 56	\$ -	\$ 56
Due to other funds	162,901	-	162,901
<b>Total current liabilities</b>	162,957	-	162,957
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	60,398	-	60,398
Unrestricted	(60,398)	74,912	14,514
<b>Total net assets</b>	<u>\$ -</u>	<u>\$ 74,912</u>	<u>\$ 74,912</u>

See accompanying independent auditor's report  
and notes to financial statements.

**WOODFORD COUNTY SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS**

Year ended June 30, 2008

	Food Service and Summer Feeding Fund	Other Enterprise Fund	Total
<b>Operating revenues</b>			
Lunchroom sales	\$ 1,026,311	\$ -	\$ 1,026,311
Other operating revenues	<u>325</u>	<u>142,912</u>	<u>143,237</u>
<b>Total operating revenues</b>	<u>1,026,636</u>	<u>142,912</u>	<u>1,169,548</u>
<b>Operating expenses</b>			
Salaries and wages	825,355	162,892	988,247
Materials and supplies	945,281	2,426	947,707
Depreciation	17,074	-	17,074
Other operating expenses	<u>3,282</u>	<u>200</u>	<u>3,482</u>
<b>Total operating expenses</b>	<u>1,790,992</u>	<u>165,518</u>	<u>1,956,510</u>
<b>Operating loss</b>	(764,356)	(22,606)	(786,962)
<b>Non-operating revenues (expenses)</b>			
Federal grants	588,674	-	588,674
Donated commodities	48,243	-	48,243
On-behalf revenues	88,787	18,806	107,593
State grants	17,938	-	17,938
Gain on disposal of fixed assets	4,701	-	4,701
Transfer in	<u>16,013</u>	<u>-</u>	<u>16,013</u>
<b>Total non-operating revenues</b>	<u>764,356</u>	<u>18,806</u>	<u>783,162</u>
<b>Net loss</b>	-	(3,800)	(3,800)
<b>Net assets, beginning of year</b>	<u>-</u>	<u>78,712</u>	<u>78,712</u>
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ 74,912</u>	<u>\$ 74,912</u>

See accompanying independent auditor's report  
and notes to financial statements.

**WOODFORD COUNTY SCHOOL DISTRICT****STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

Year Ended June 30, 2008

**Cash Flows From Operating Activities**

Cash received from:

Lunchroom sales	\$ 1,026,311
Governmental grants	579,843
Other activities	283,043

Cash paid for:

Employees	(988,247)
Supplies	(893,342)
Other activities	<u>(3,482)</u>

Net cash provided by operating activities 4,126

**Cash Flows From Capital and Related Financing Activities**

Proceeds from the sale of capital assets 8,268

Net cash provided by capital and related financing activities 8,268

Net increase in cash and cash equivalents 12,394

**Balance, beginning of year** 77,628

**Balance, end of year** \$ 90,022

Reconciliation of operating loss to net cash provided by operating activities:

Net loss \$ (3,800)

Adjustments to reconcile net loss to net cash provided by operating activities:

Depreciation	17,074
Gain on disposal of fixed assets	(4,701)
Changes in assets and liabilities:	
Receivables	(8,650)
Inventory	6,336
Due to other funds	(1,919)
Accounts payable	<u>(214)</u>

**Net cash provided by operating activities** \$ 4,126

**SCHEDULE OF NON-CASH TRANSACTIONS**

Donated commodities received from federal government \$ 48,243

See accompanying independent auditor's report  
and notes to financial statements.

**WOODFORD COUNTY SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

Year ended June 30, 2008

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 526,245
Accounts receivable	<u>523</u>
<b>Total assets</b>	<u><u>\$ 526,768</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 12,269
Due to student groups	<u>514,499</u>
<b>Total liabilities</b>	<u><u>\$ 526,768</u></u>

See accompanying independent auditor's report  
and notes to financial statements.

# WOODFORD COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Woodford County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Woodford County School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Woodford County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or are dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Woodford County Board of Education Finance Corporation - On December 10, 1990 the Board of Education resolved to authorize the establishment of the Woodford County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency of the District for financing the costs of school building facilities. The members of the Woodford County Board of Education also comprise the Corporation's Board of Directors.

#### Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

# WOODFORD COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

#### I. Governmental Fund Types

(A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 43 through 45. This is a major fund of the District.

(C) The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a Proprietary Fund).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan. This is a nonmajor fund of the District.

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

(D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

## WOODFORD COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### II. Proprietary Fund Types (Enterprise Fund)

(A) The Food Service and Summer Feeding Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

##### III. Fiduciary Fund Type (Agency Fund)

(A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

#### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**Revenues - Exchange and Non-exchange Transactions** - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

# WOODFORD COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

#### Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2008 were \$0.479 per \$100 valuation for real property, \$0.496 per \$100 valuation for business personal property and \$0.509 per \$100 valuation for motor vehicles.

The District levies a 3.0% utility tax on all businesses and households within the District.

#### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of technology purchases for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Other	10 years

## WOODFORD COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

##### Accumulated Unpaid Sick Leave and Vacation

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Upon retirement or separation from the school district, an employee is also entitled to a payout of their accrued vacation. Vacation is accrued at varying rates depending upon length of service. The maximum vacation accrual is 327.99 hours unless the employee had already accrued more than 327.99 hours when the vacation policy was adopted.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

##### Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Budgetary amendments are made during the year to reflect new revenue sources and the receipt of the District's growth calculation.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

##### Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

## **WOODFORD COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2008

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

##### Inventories

Inventory is stated at cost using the specific identification method.

##### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, capital leases, accumulated sick leave, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

##### Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

##### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

##### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

# WOODFORD COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE C - CASH AND CASH EQUIVALENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's bank balances are covered by Federal Depository Insurance up to \$100,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Effective October 3, 2008, Federal Depository Insurance insured to \$250,000 per financial institution. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2008 consisted of the following:

	Bank Balance	Book Balance
United Bank	\$ 11,889,284	\$ 10,045,469

Breakdown per financial statements is as follows:

Governmental funds	\$ 9,429,202
Proprietary funds	90,022
Agency funds	526,245
	<u>\$ 10,045,469</u>

# WOODFORD COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

### NOTE D- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
<u>Governmental Activities</u>				
Cost				
Land	\$ 1,453,384	\$ -	\$ -	\$ 1,453,384
Land improvements	290,302	-	-	290,302
Buildings	48,111,766	1,661	-	48,113,427
Technology	2,328,871	339,132	286,217	2,381,786
Vehicles	3,291,410	77,657	-	3,369,067
General equipment	2,178,519	154,874	7,654	2,325,739
Construction in progress	-	4,635,489	-	4,635,489
Totals at historical cost	<u>\$ 57,654,252</u>	<u>\$ 5,208,813</u>	<u>\$ 293,871</u>	<u>\$ 62,569,194</u>

	Balance July 1, 2007	Depreciation	Disposals	Balance June 30, 2008
Accumulated Depreciation				
Land improvements	\$ 113,762	\$ 14,515	\$ -	\$ 128,277
Buildings	13,610,038	1,167,741	-	14,777,779
Technology	1,455,624	319,468	272,781	1,502,311
Vehicles	2,270,337	201,905	-	2,472,242
General equipment	699,988	122,252	6,930	815,310
Total accumulated depreciation	<u>\$ 18,149,749</u>	<u>\$ 1,825,881</u>	<u>\$ 279,711</u>	<u>\$ 19,695,919</u>

### Governmental Activities

Depreciable capital assets	\$ 38,051,119	\$ 36,784,402
Non-depreciable capital assets	<u>1,453,384</u>	<u>6,088,873</u>
Total governmental activities capital assets, net	<u>\$ 39,504,503</u>	<u>\$ 42,873,275</u>

# WOODFORD COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
<u>Business-Type Activities</u>				
Cost				
Food service equipment	\$ 395,166	\$ -	\$ 5,136	\$ 390,030
Technology equipment	<u>21,422</u>	<u>-</u>	<u>2,200</u>	<u>19,222</u>
Totals at historical cost	\$ <u>416,588</u>	\$ <u>-</u>	\$ <u>7,336</u>	\$ <u>409,252</u>

	Balance July 1, 2007	Depreciation	Disposals	Balance June 30, 2008
Accumulated Depreciation				
Food service equipment	\$ 316,258	\$ 16,206	\$ 1,569	\$ 330,895
Technology equipment	<u>19,291</u>	<u>868</u>	<u>2,200</u>	<u>17,959</u>
Total accumulated depreciation	\$ <u>335,549</u>	\$ <u>17,074</u>	\$ <u>3,769</u>	\$ <u>348,854</u>

### Business-Type Activities

Total business-type activities capital assets, net	\$ <u>81,039</u>	\$ <u>60,398</u>
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Depreciation expense for the year ended June 30, 2008 for governmental activities by function is summarized below:

Instructional	\$ 1,555,106
Instruction student support	5,480
Instruction staff support	6,997
District administration	12,422
School administration	4,007
Business support services	11,241
Plant operations and maintenance	16,431
Student transportation	205,721
Central office support services	3,271
Community services	2,933
Adult education operations	<u>2,272</u>
Total	\$ <u>1,825,881</u>

# WOODFORD COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

### NOTE E - CAPITAL LEASE OBLIGATIONS

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ <u>49,525</u>
	49,525
Less amount representing interest	<u>1,746</u>
Present value of minimum lease payments	\$ <u>47,779</u>
Current maturities	\$ <u>47,779</u>

The property under capital lease has a cost of \$166,343 and accumulated depreciation of \$86,268.

### NOTE F - BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1996A	\$ 215,000	4.875% - 5.650%
1998	6,000,000	1.000% - 4.300%
2003	17,865,000	2.000% - 4.250%
2004	7,830,000	2.000% - 3.750%
2005	4,950,000	3.000% - 4.400%
2008	6,420,000	2.000% - 3.900%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund), is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Woodford County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1987, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. As of June 30, 2008 the total bond principal and interest due was \$36,150,000 and \$15,650,432, respectively. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

# WOODFORD COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

	Woodford County School District		Kentucky School Facility Construction Commission		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2008-2009	\$ 1,209,990	\$ 1,289,228	\$ 270,010	\$ 43,520	\$ 1,480,000	\$ 1,332,748
2009-2010	1,249,078	1,252,284	280,922	32,609	1,530,000	1,284,893
2010-2011	1,291,358	1,212,471	148,642	24,195	1,440,000	1,236,666
2011-2012	1,332,325	1,169,939	92,675	19,775	1,425,000	1,189,714
2012-2013	1,374,787	1,125,985	95,213	16,509	1,470,000	1,142,494
2013-2014	1,421,291	1,080,690	98,709	13,012	1,520,000	1,093,702
2014-2015	1,472,551	1,032,215	102,449	9,281	1,575,000	1,041,496
2015-2016	1,548,580	979,359	106,420	5,302	1,655,000	984,661
2016-2017	1,602,367	922,554	82,633	1,625	1,685,000	924,179
2017-2018	1,665,000	863,341	-	-	1,665,000	863,341
2018-2019	1,725,000	800,944	-	-	1,725,000	800,944
2019-2020	1,795,000	734,158	-	-	1,795,000	734,158
2020-2021	1,865,000	662,461	-	-	1,865,000	662,461
2021-2022	1,940,000	586,715	-	-	1,940,000	586,715
2022-2023	2,020,000	506,709	-	-	2,020,000	506,709
2023-2024	2,105,000	420,851	-	-	2,105,000	420,851
2024-2025	2,195,000	330,192	-	-	2,195,000	330,192
2025-2026	2,290,000	235,509	-	-	2,290,000	235,509
2026-2027	2,340,000	184,837	-	-	2,340,000	184,837
2027-2028	2,430,000	94,162	-	-	2,430,000	94,162
	<u>\$34,872,327</u>	<u>\$15,484,604</u>	<u>\$ 1,277,673</u>	<u>\$ 165,828</u>	<u>\$36,150,000</u>	<u>\$15,650,432</u>

During the year ended June 30, 2008 the District made principal payments of \$1,370,000. In addition, during 2008, the District had additional borrowings of \$6,420,000 from school building revenue bonds.

### NOTE G - OPERATING LEASE

The following is a schedule by years of future minimum rental payments required under operating leases for office equipment that have initial noncancellable lease terms in excess of one year as of June 30, 2008:

Year Ending June 30, 2008	
2009	\$ 960
2010	<u>80</u>
Total	<u>\$ 1,040</u>

Total rent expense amounted to \$3,861 for the year ended June 30, 2008.

## **WOODFORD COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2008

#### **NOTE H - CONTINGENCIES**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

#### **NOTE I - LITIGATION**

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

#### **NOTE J - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

#### **NOTE K - RISK MANAGEMENT**

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **WOODFORD COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2008

#### **NOTE L - RETIREMENT PLAN**

**Classified Employees** - Classified employees (substantially all full-time District employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. The current rate is 16.17% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by the Kentucky Retirement Systems' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2008 and 2007 were \$739,561 and \$569,257, respectively, equal to the required contributions for those years.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

**Certified Employees** - Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"), a cost-sharing multiple-employer defined benefit plan. KTRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 9.855% of their annual covered compensation, and the Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550 (13.105% of salaries). The payments made by the Commonwealth of Kentucky on behalf of the District's certified employees are reflected in the accompanying financial statements as both revenues and expenses/expenditures. The Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2008, this funding amounted to \$109,734.

KTRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

**Retirement Plan** - The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to these Plans.

#### **NOTE M - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

## WOODFORD COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

#### NOTE N - ON-BEHALF PAYMENTS

For the year ended June 30, 2008 total payments of \$4,439,462 were made for life insurance, health insurance, KTRS matching and administrative fees, and purchases of computers by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. These revenues and expenditures are not budgeted by the District.

#### NOTE O - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	\$ 46,332
Operating	Capital Outlay	Debt Service	Debt Service	360,040
Operating	General	Food Service	Operations	16,013
Operating	Building Fund	Construction	Construction	1,900,830
Operating	Construction	Building Fund	Close Project	7,976
Operating	Building Fund	Debt Service	Debt Service	1,821,394
Operating	Construction	Debt Service	Bond Proceeds	13,675
Operating	Construction	Construction	Huntertown Project	114,670
Operating	Building Fund	Construction	MS Lights Project	260,000

#### NOTE P - POST-EMPLOYMENT HEALTH CARE BENEFITS

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the KTRS plans.

Plan description - In addition to the pension benefits described in Note L, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy - The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

## **SUPPLEMENTARY INFORMATION**

# WOODFORD COUNTY SCHOOL DISTRICT

## COMBINING STATEMENT OF ASSETS, LIABILITIES AND DUE TO/FROM OTHER STUDENT GROUPS - ACTIVITY FUNDS

For the Year ended June 30, 2008

	Woodford County High School	Woodford County Middle School	Huntertown Elementary School	Northside Elementary School	Simmons Elementary School	Southside Elementary School	Woodford County Adult Education Center	Woodford County Community Education Center	Totals
<b>Assets</b>									
Cash	\$ 222,277	\$ 57,020	\$ 23,141	\$ 5,085	\$ 1,478	\$ 13,012	\$ 3,552	\$ 200,680	\$ 526,245
Accounts receivable	<u>523</u>	-	-	-	-	-	-	-	<u>523</u>
<b>Total assets</b>	<u>\$ 222,800</u>	<u>\$ 57,020</u>	<u>\$ 23,141</u>	<u>\$ 5,085</u>	<u>\$ 1,478</u>	<u>\$ 13,012</u>	<u>\$ 3,552</u>	<u>\$ 200,680</u>	<u>\$ 526,768</u>
<b>Liabilities</b>									
Accounts payable	\$ 8,116	\$ 2,164	\$ -	\$ -	\$ -	\$ 1,989	\$ -	\$ -	\$ 12,269
Due to other student groups	<u>214,684</u>	<u>54,856</u>	<u>23,141</u>	<u>5,085</u>	<u>1,478</u>	<u>11,023</u>	<u>3,552</u>	<u>200,680</u>	<u>514,499</u>
<b>Total liabilities and due to/from other student groups</b>	<u>\$ 222,800</u>	<u>\$ 57,020</u>	<u>\$ 23,141</u>	<u>\$ 5,085</u>	<u>\$ 1,478</u>	<u>\$ 13,012</u>	<u>\$ 3,552</u>	<u>\$ 200,680</u>	<u>\$ 526,768</u>

See accompanying independent auditor's report.

# WOODFORD COUNTY SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - ACTIVITY FUNDS

Year ended June 30, 2008

	Woodford County High School	Woodford County Middle School	Huntertown Elementary School	Northside Elementary School	Simmons Elementary School	Southside Elementary School	Woodford County Adult Education Center	Woodford County Community Education Center	Totals
Revenues from student activities	\$ 560,743	\$ 271,022	\$ 40,498	\$ 20,189	\$ 35,690	\$ 51,748	\$ 7,439	\$ 421,801	\$ 1,409,130
Non-instructional expenses	<u>548,400</u>	<u>294,908</u>	<u>38,728</u>	<u>21,040</u>	<u>39,690</u>	<u>61,593</u>	<u>9,838</u>	<u>395,186</u>	<u>1,409,383</u>
Excess (deficit) of revenues over expenditures	12,343	(23,886)	1,770	(851)	(4,000)	(9,845)	(2,399)	26,615	(253)
Due to other student groups, July 1, 2007	<u>202,341</u>	<u>78,742</u>	<u>21,371</u>	<u>5,936</u>	<u>5,478</u>	<u>20,868</u>	<u>5,951</u>	<u>174,065</u>	<u>514,752</u>
Due to other student groups, June 30, 2008	<u>\$ 214,684</u>	<u>\$ 54,856</u>	<u>\$ 23,141</u>	<u>\$ 5,085</u>	<u>\$ 1,478</u>	<u>\$ 11,023</u>	<u>\$ 3,552</u>	<u>\$ 200,680</u>	<u>\$ 514,499</u>

\* See accompanying independent auditor's report.

# WOODFORD COUNTY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - WOODFORD COUNTY HIGH SCHOOL

Year ended June 30, 2008

	Due To/From Student Group July 1, 2007	Receipts	Disbursements	Due To/From Student Group June 30, 2008
41st District Tournament	\$ 250	\$ -	\$ 250	\$ -
Academic team	348	4,008	1,957	2,399
Advanced placement	745	33,617	31,167	3,195
Art club	294	-	-	294
Band account	10,270	59,688	54,724	15,234
Band savings	4,848	29	4,877	-
Baseball	4,721	12,559	15,485	1,795
Beta club	1,404	1,428	1,651	1,181
Boys basketball	4,492	17,222	16,961	4,753
Boys soccer	9,703	12,514	14,894	7,323
Cheerleaders	-	35,731	35,702	29
Chorus	1,663	100	260	1,503
Class of 2005	2	-	-	2
Class of 2007	450	6,390	5,329	1,511
Class of 2008	7,962	11,243	4,890	14,315
Class of 2009	4,227	3,640	5,707	2,160
Class of 2010	267	525	792	-
Creative writing club	993	757	836	914
Cross country	3,924	6,467	8,083	2,308
Dance team	-	901	901	-
Drama club	5,395	-	5,395	-
Drama productions	8,687	9,173	7,920	9,940
ECHO Club	76	-	-	76
FBLA	987	5,308	4,610	1,685
FCA	684	205	269	620
FCS food account	220	4,335	3,632	923
FFA	3,388	17,055	19,397	1,046
FHA	476	14,673	14,908	241
Film account	702	2,571	1,068	2,205
Football	10,715	65,874	65,925	10,664
French club	313	62	-	375
Future educators	184	71	75	180
German club	17	-	-	17
Girls basketball	28	13,260	12,936	352
Girls soccer	4,402	5,329	9,459	272
Golf	-	4,490	4,490	-
Horticulture	70	218	286	2
HOSA	314	1,306	1,225	395
Human rights club	30	-	-	30
ID account	16,671	51,106	49,575	18,202
Key club	906	1,112	1,157	861
Library	1,353	4,653	5,267	739
Lost & Damaged books	55	1,114	1,100	69
Media account	958	2,635	2,805	788
Miscellaneous	569	14,547	15,116	-
Newspaper	22,712	10,258	2,106	30,864
Parking Lot	3,719	4,820	6,215	2,324
Pep club	-	997	984	13

See accompanying independent auditor's report.

**WOODFORD COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM  
OTHER STUDENT GROUPS - WOODFORD COUNTY HIGH SCHOOL**

Year ended June 30, 2008

	Due To/From Student Group July 1, 2007	Receipts	Disbursements	Due To/From Student Group June 30, 2008
PTO Department	270	2,735	3,004	1
SADD Club	857	-	-	857
SEEK Club	2,525	-	2,525	-
Senior Class Trip	-	25,939	25,939	-
Softball	2,870	12,755	10,206	5,419
Spanish club	877	941	877	941
Spanish honor society	460	425	-	885
State Officer	318	250	568	-
Step Team	108	-	-	108
Student council	1,020	3,162	2,445	1,737
Student incentives	3,616	1,250	2,715	2,151
Swimming	3,837	13,800	12,952	4,685
Technology account	373	1,567	784	1,156
Tennis	-	5,031	5,031	-
Textbook fee account	51	43,954	43,115	890
Theatre Club	241	547	-	788
Track	-	4,172	2,256	1,916
Vo-ag account	2,497	-	538	1,959
Vo-ag CD	37,000	-	-	37,000
Vo-ag shop	1,151	-	1,131	20
Volleyball	-	14,156	11,147	3,009
W.C. Montgomery Scholarship	1,546	5,850	2,850	4,546
Woods/Carpentry	69	326	395	-
Wrestling	1,735	9,827	8,614	2,948
YES Club	266	-	-	266
Y-Club	300	-	-	300
Youth Advisory	160	1,217	74	1,303
Subtotal	202,341	589,895	577,552	214,684
Transfers	-	(29,152)	(29,152)	-
	<u>\$ 202,341</u>	<u>\$ 560,743</u>	<u>\$ 548,400</u>	<u>\$ 214,684</u>

See accompanying independent auditor's report  
and notes to financial statements.

# WOODFORD COUNTY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### GENERAL FUND

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Property taxes	\$ 6,697,119	\$ 6,697,119	\$ 7,219,377	\$ 522,258
Motor vehicle taxes	818,017	818,017	834,621	16,604
Utility taxes	1,450,000	1,450,000	1,878,911	428,911
Distilled spirits taxes	145,736	145,736	148,182	2,446
Other taxes	-	-	129,155	129,155
Tuition and fees	18,000	18,000	23,595	5,595
Earnings on investments	240,000	240,000	278,102	38,102
Other local revenues	37,070	37,070	-	(37,070)
State sources				
SEEK	10,198,795	10,198,795	10,540,701	341,906
On-behalf revenues	-	-	4,331,868	4,331,868
Other	39,200	39,200	46,836	7,636
Federal - indirect	6,000	6,000	37,142	31,142
Other revenues	-	-	188,564	188,564
<b>Total revenue</b>	<u>19,649,937</u>	<u>19,649,937</u>	<u>25,657,054</u>	<u>6,007,117</u>
<b>Expenditures</b>				
Instruction	13,503,247	13,503,247	16,265,048	(2,761,801)
Support services				
Student	1,028,302	1,028,302	1,176,032	(147,730)
Instruction staff	760,738	760,738	923,637	(162,899)
District administration	817,622	817,622	833,975	(16,353)
School administration	1,229,101	1,229,101	1,390,059	(160,958)
Business	1,046,795	1,046,795	559,281	487,514
Plant operation and maintenance	2,410,608	2,410,608	2,388,417	22,191
Student transportation	1,450,021	1,450,021	1,849,108	(399,087)
Community service activities	28,150	28,150	36,319	(8,169)
Adult education	12,500	12,500	13,868	(1,368)
Contingency	1,488,648	1,488,648	-	1,488,648
<b>Total expenditures</b>	<u>23,775,732</u>	<u>23,775,732</u>	<u>25,435,744</u>	<u>(1,660,012)</u>
Excess (deficit) of revenues over expenditures	(4,125,795)	(4,125,795)	221,310	4,347,105
Proceeds from sale of fixed assets	7,000	7,000	53,501	46,501
Operating transfers out	-	-	(62,345)	(62,345)
<b>Total other financing sources (uses)</b>	<u>7,000</u>	<u>7,000</u>	<u>(8,844)</u>	<u>(15,844)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(4,118,795)	(4,118,795)	212,466	4,331,261
<b>Fund balance, July 1, 2007</b>	<u>4,118,795</u>	<u>4,118,795</u>	<u>4,321,631</u>	<u>5,702,571</u>
<b>Fund balance, June 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,534,097</u>	<u>\$ 10,033,832</u>

See accompanying independent auditor's report.

**WOODFORD COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**SPECIAL REVENUE FUND**

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Earnings on investments	\$ -	\$ -	\$ 342	\$ 342
Other local revenues	46,000	65,752	77,252	11,500
State sources				
On-behalf revenues			152,269	152,269
Other	1,016,309	1,377,504	1,424,876	47,372
Federal - indirect	<u>1,432,989</u>	<u>1,582,349</u>	<u>1,626,174</u>	<u>43,825</u>
<b>Total revenue</b>	<u>2,495,298</u>	<u>3,025,605</u>	<u>3,280,913</u>	<u>255,308</u>
<b>Expenditures</b>				
Instruction	2,164,701	2,594,890	2,782,428	(187,538)
Support services				
Student	-	-	-	-
Instruction staff	151,108	151,741	185,121	(33,380)
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operation and maintenance	-	-	-	-
Student transportation	-	-	35,216	(35,216)
Central office	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Community service activities	20,000	131,300	136,533	(5,233)
Adult education	159,489	194,006	187,947	6,059
Debt service	-	-	-	-
Other expenditures	-	-	-	-
Contingency	-	-	-	-
<b>Total expenditures</b>	<u>2,495,298</u>	<u>3,071,937</u>	<u>3,327,245</u>	<u>(255,308)</u>
Deficit of revenues over expenditures	-	(46,332)	(46,332)	-
<b>Other financing sources (uses)</b>				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	-	46,332	46,332	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>46,332</u>	<u>46,332</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
<b>Fund balance, July 1, 2007</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

# WOODFORD COUNTY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2008

	CFDA Number	Pass-Through Number	Disbursements
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through Kentucky Department of Education			
Migrant Education - State Grant Program	84.011	0531-07	\$ 19,041
Migrant Education - State Grant Program	84.011	0531-08	<u>27,326</u>
			<u>46,367</u>
Title I Grants to Local Educational Agencies	84.010	0531-07	111,483
Title I Grants to Local Educational Agencies	84.010	0531-08	<u>330,228</u>
			<u>441,711</u>
Title I Professional Development	84.010	0531-07	22,635
Title I Professional Development	84.010	0531-08	<u>55,522</u>
			<u>78,157</u>
Title I Program for Neglected and Delinquent Children	84.013	5413-08	56,116
Improving Teacher Quality	84.367	0710-08	149,894
Vocational Education-Basic Grants to States	84.048	5462-07	(630)
Vocational Education-Basic Grants to States	84.048	5462-08	<u>28,906</u>
			<u>28,276</u>
Education Technology State Grants	84.318	3851-08	1,943
Safe and Drug Free Communities-State Grants	84.186	0590-08	14,061
State Grants for Innovative Programs	84.298	5334-08	5,494
<b>Special Education Cluster:</b>			
Special Education-Grants to States	84.027	0581-07	40,933
Special Education-Grants to States	84.027	0581-08	<u>589,056</u>
			<u>629,989</u>
Special Education-Preschool Grants	84.173	0587-08	<u>14,620</u>
<b>Total Special Education Cluster</b>			<u>644,609</u>

See accompanying independent auditor's report.

# WOODFORD COUNTY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2008

### Passed through KY Workforce Development Cabinet

English Language Acquisition Grants	84.365	0535-08	19,429
English Language Acquisition Grants	84.365	0535-08	<u>6,516</u>
			<u>25,945</u>
Adult Education - State Grant Program	84.002	0535-08	10,000
Adult Education - State Grant Program	84.002	0535-08	33,107
Adult Education - State Grant Program	84.002	0535-08	2,156
Adult Education - State Grant Program	84.002	0535-08	<u>8,166</u>
			<u>53,429</u>
Tech Prep Education	84.243	0535-07	248
Tech Prep Education	84.243	0535-08	<u>15,595</u>
			<u>15,843</u>
<b>Total U.S. Department of Education</b>			<u>1,561,845</u>

### U.S. DEPARTMENT OF AGRICULTURE

Passed through State Department of Education

National School Lunch Program	10.555	0575-01-08	481,597
National School Breakfast Program	10.553	0575-01-08	107,077

Passed through the Kentucky Department of Agriculture  
Food Distribution Program

10.550	N/A	<u>48,243</u>
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### **Total of U.S. Department of Agriculture**

636,917

### U.S. Department of Health and Human Services

Passed through Kentucky Workforce Development Cabinet

Temporary Assistance for Needy Families	93.558		<u>9,000</u>
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### **Total U.S. Department of Health and Human Services**

9,000

### National Science Foundation

Passed through Jessamine County Board of Education

Mathematical and Physical Sciences	47.049		<u>2,095</u>
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### **Total National Science Foundation**

2,095

### **Total Expenditures of Federal Awards**

\$ 2,209,857

See accompanying independent auditor's report.

## **WOODFORD COUNTY SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2008

#### **NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Woodford County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

#### **NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations.

# WOODFORD COUNTY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

### Section I-Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued - Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes      X   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_yes      X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_yes      X   no

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_yes      X   no
- Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_yes      X   none reported

Type of auditor's report issued on compliance for major programs - Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_yes      X   no

Identification of major programs:

CFDA Number(s)

84.027, 84.173  
10.555

Name of Federal Program or Cluster

Special Education Cluster  
National School Lunch Program

- Dollar threshold used to distinguish Between type A and type B programs:   \$300,000
- Auditee qualified as low-risk auditee?   X   yes    \_\_\_\_\_ no

### Section II - Financial Statement of Findings

No matters were reported.

### Section III - Federal Award Findings and Questioned Costs

No matters were reported.

**WOODFORD COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PRIOR YEAR FINDINGS**

Year ended June 30, 2008

There were no prior year audit findings.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Board of Education of  
Woodford County School District

We have audited the accompanying financial statements of Woodford County School District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Woodford County School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodford County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects Woodford County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Woodford County School District's financial statements that is more than inconsequential will not be prevented or detected by Woodford County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Woodford County School District's internal control.

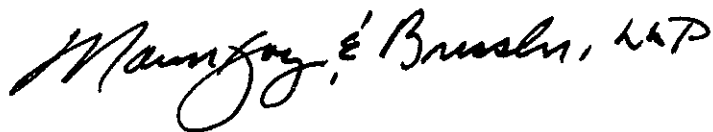
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that could be considered to be material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Woodford County School District, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

We noted certain other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated November 13, 2008.

This report is intended solely for the information and use of the members of the Kentucky State Committee for School District Audits, the Kentucky Department of Education, Board of Education of Woodford County, management, and federal awarding agencies and pass-through entities and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "M. J. Bruns, CPA". The signature is written in a cursive, flowing style.

Lexington, Kentucky  
November 13, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Woodford County School District

**Compliance**

We have audited the compliance of Woodford County School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Woodford County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Woodford County School District's management. Our responsibility is to express an opinion of Woodford County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix II of the Independent Auditor's Contract - State Audit Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Woodford County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Woodford County School District's compliance with those requirements.

In our opinion, the Woodford County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

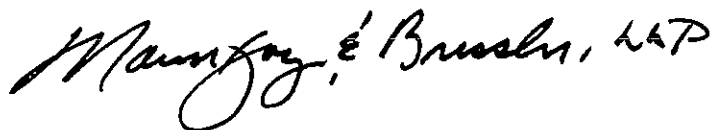
The management of Woodford County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Woodford County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Woodford County School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type or compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of the Kentucky State Committee for School District Audits, the Kentucky Department of Education, Board of Education of Woodford County, management, federal awarding agencies and pass-through entities and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Manning & Bruehl, LLP". The signature is written in a cursive, flowing style.

Lexington, Kentucky  
November 13, 2008

**MANAGEMENT LETTER COMMENTS**

Members of the Board of Education of  
Woodford County School District  
Lexington, Kentucky

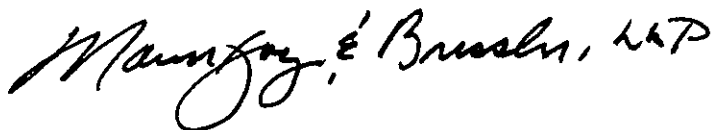
In planning and performing our audit of the financial statements of Woodford County School District for the year ended June 30, 2008, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are deficiencies in internal controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2008 contains our report on the District's internal control structure. This letter does not affect our report dated November 13, 2008 on the financial statements of Woodford County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Mountjoy & Bressler, LLP



Lexington, Kentucky  
November 13, 2008

## **WOODFORD COUNTY SCHOOL DISTRICT**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Cash Disbursements**

During our audit, we noted that only one signature is required on checks written out of the general fund. The Finance Officer and the Superintendent are the only authorized check signers. The Finance Officer also participates in the reconciliation of the bank accounts, has administrative access to the accounting system, prepares the financial statements and can prepare a check disbursement. This would normally constitute a segregation of duties issue; however the District has implemented compensating controls which include the receipt of the unopened bank statement by the Accounts Receivable Clerk, reviewing of canceled checks by the Accounts Receivable Clerk, and the bank reconciliation process is partially performed by someone other than the Finance Officer. In addition, the MUNIS system will not allow a check disbursement without an invoice number and a board approved warrant number, and the Superintendent and the Board review the budget to actual comparison on a regular basis.

As a best practice, we suggest the District consider strengthening these compensating controls by implementing one or more of the following changes:

- The Superintendent should periodically review and approve bank reconciliations, bank statements and cancelled checks for unusual transactions.
- The District should use a check-log which would document the sequential order of all checks.

#### **Management's Response**

Upon completion of a cost/benefit analysis, the district has determined that it is not practicable to implement the first suggested best practice. However, in accordance with the second suggested best practice, the district will begin using a check-log to document the sequential order of all checks. We believe that this is a good methodology for strengthening our existing compensating controls.

#### **Prior Year Management Letter Comments**

None

## **WOODFORD COUNTY HIGH SCHOOL**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Annual Report**

The annual report contained an overstatement of cash at year end by including a savings account that had been closed during the year. The cash was reported in the savings account but had also been included in the reconciled bank account. The review process for annual reporting should include verifying the underlying amounts by reviewing bank statements or other supporting documentation of account balances and reconciling items.

#### **Management's Response**

The principal and school treasurer have put into place a bank statement review process by which accounts are reviewed so that balances can be reconciled regularly and accurately. The principal and school treasurer will meet to verify these balances.

#### **Dual Signatures**

Several checks were noted that contained only one signature. According to the "Accounting Procedures for Kentucky School Activity Funds" all checks should be signed by the principal and the school treasurer.

#### **Management's Response**

The principal and assistant principals will ensure that they do not sign any check not already bearing the signature of the school treasurer. Checks not bearing the necessary signature will be returned until verified by the school treasurer (by signature) that the checks are ready to be signed by a school administrator.

#### **Daily Deposits**

In the same transaction referenced in the first comment above, it was noted that the cashier's check from the bank to close the band savings account was dated April 4, 2008, but was not deposited until June 12, 2008. According to the "Accounting Procedures for Kentucky School Activity Funds" all money collected should be deposited on a daily basis. At a minimum, deposits should be made on a weekly basis even if the deposit amount is less than \$100.

#### **Management's Response**

The transaction in question was lost due to a mechanical malfunction of the school's night deposit safe. The rotating drum that allows a night deposit trapped the check without allowing it to enter the safe. Only by experiencing another malfunction of the drum, did the school treasurer discover the check. Upon finding the check, the school treasurer immediately deposited the check. Since that discovery, the rotating drum has been immobilized and is no longer an option for a night deposit. All deposits are now placed directly in the school vault. The school will ensure that deposits are made at least once a week per regulations stated in "Accounting Procedures for Kentucky School Activity Funds".

#### **Prior Year Management Letter Comments**

None

## **WOODFORD COUNTY MIDDLE SCHOOL**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Dual Signatures**

One check was noted that contained only one signature. According to the "Accounting Procedures for Kentucky School Activity Funds" all checks should be signed by the principal and the school treasurer.

#### **Management's Response**

Principals and bookkeeper will double check to make sure there are two signatures on each check.

#### **Prior Year Management Letter Comments**

Prior year comments regarding ticket sales and review of bank statements have been addressed and corrected.

## **HUNTERTOWN ELEMENTARY SCHOOL**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Bank Statements**

The May bank statement was noted to have no signature as evidence of the principal's review. According to the "Accounting Procedures for Kentucky School Activity Funds" the principal should review bank statements and initial and date as evidence of this review.

#### **Management's Response**

All bank statements are opened by the principal and reviewed before being given to the bookkeeper. The exception occurred because the principal signed the envelope rather than the statement. The principal will ensure that she signs the statement when she opens it.

#### **Deposits**

One instance was noted in which there was a significant number of days between the date the multiple receipt form was signed by the teacher and the date signed by the school treasurer. According to the "Accounting Procedures for Kentucky School Activity Funds" all money collected by a teacher should be given to the school treasurer on the day collected.

#### **Management's Response**

A reminder will be sent to all teachers about turning in any money on the day that they receive it. The bookkeeper will make a deposit every day she collects money. She will put a reminder on her computer.

#### **Prior Year Management Letter Comments**

Prior year comment on dual signatures has been addressed and corrected.

## **NORTHSIDE ELEMENTARY SCHOOL**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Bank Statement's**

No bank statements were noted to have signatures as evidence of the principal's review. According to the "Accounting Procedures for Kentucky School Activity Funds" the principal should review bank statements and initial and date as evidence of this review.

#### **Management's Response**

The bookkeeper and principal are aware of the requirement and the principal will sign all bank statements.

#### **Multiple Receipt Forms**

Several multiple receipt forms were noted to be signed only by the teacher who collected the money. All multiple receipt forms should be signed and dated by the teacher and the school treasurer.

#### **Management's Response**

Teachers will ensure that multiple receipt forms are signed before they leave the bookkeeper's office.

#### **Deposits**

Several instances were noted in which there was a significant difference in the date the multiple receipt form was signed by the teacher and the date signed by the school treasurer. According to the "Accounting Procedures for Kentucky School Activity Funds" all money collected by a teacher should be given to the school treasurer on the day collected.

#### **Management's Response**

Teachers will be instructed to deliver money collected to the office on the day it is collected.

#### **Prior Year Management Letter Comments**

Prior year comment on dual signatures has been addressed and corrected.

## **SIMMONS ELEMENTARY SCHOOL**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Purchase Orders**

One purchase order was noted to have no signatures to authorize or approve the purchase. According to the "Accounting Procedures for Kentucky School Activity Funds" a purchase order should be approved by the sponsor and the principal before payments can be made.

#### **Management's Response**

The school will conduct a review of the purchasing procedures with office personnel and teachers in order to adequately address this mistake. Simmons' bookkeeper and principal will review each PO in order to ensure each has properly reviewed the accuracy of the purchase.

#### **Prior Year Management Letter Comments**

Prior year comment on dual signatures has been addressed and corrected.

## **SOUTHSIDE ELEMENTARY SCHOOL**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Deposits**

Several instances were noted in which there was a significant difference in the date the multiple receipt form was signed by the teacher and the date signed by the school treasurer. According to the "Accounting Procedures for Kentucky School Activity Funds" all money collected by a teacher should be given to the school treasurer on the day collected.

#### **Management's Response**

Teachers will be retrained during Grade Level meetings in November, as is already done each August on Principal's Day, by the principal on appropriate accounting procedures regarding the requirement that all money collected by a teacher should be given to the school treasurer on the day collected. Each teacher will sign a document stating that they have been trained and will follow the outlined procedures.

#### **Prior Year Management Letter Comments**

None

## **WOODFORD COUNTY ADULT EDUCATION CENTER**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Use of Activity Funds**

A disbursement was noted to be for a teacher luncheon. According to the "Accounting Procedures for Kentucky School Activity Funds" no school activity money should be used to purchase personal items for staff members, including meals. Only staff generated funds may be used for staff dinners.

#### **Management's Response**

In the future and to be in compliance with the "Accounting Procedures for Kentucky School Activity Funds", the Adult Ed Director will review, initial and date the purchasing policy on page 10, point #1, in the "Accounting for School Activity Funds" book with the bookkeeper and other approved account signers at the beginning of each fiscal year.

#### **Voided Checks**

It was noted that most voided checks still contained the signature portion of the check. According to the "Accounting Procedures for Kentucky School Activity Funds" voided checks should have the word VOID written on the face of the check and the signature portion should be removed.

#### **Management's Response**

The director and/or the bookkeeper will write VOID and initial the voided check, then cut and destroy the signature lines from the voided check. Additionally, at the end of each month when reconciling the activity account, the bookkeeper will review the voided check file to confirm that this procedure has been implemented.

#### **Pre-numbered Receipts**

One instance was noted in which a receipt number was missing from the sequential list of receipts. According to the "Accounting Procedures for Kentucky School Activity Funds" pre-numbered receipts should be issued any time money is received and all receipt numbers should be accounted for.

#### **Management's Response**

The first month that interest was posted in the new EPES bookkeeping system, it was posted as a receipt and not interest. The following month we corrected our procedure and posted the interest appropriately. After the auditor's finding, a receipt was generated to verify that it was the activity account's interest for the month. Interest will be posted appropriately in the EPES bookkeeping system by the bookkeeper and checked by the director monthly.

#### **Prior Year Management Letter Comments**

None

## **WOODFORD COUNTY COMMUNITY EDUCATION CENTER**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2008

#### **Dual Signatures**

One instance was noted where a check did not have dual signatures. According to the "Accounting Procedures for Kentucky School Activity Funds" all checks should be signed by both the principal and the bookkeeper.

#### **Management's Response**

All disbursements will be double checked for dual signatures before mailing by the bookkeeper and principal. Office staff will review "Accounting Procedures for Kentucky School Activity Funds", and a staffing change was implemented in the bookkeeping position beginning April 2008.

#### **Purchase Orders**

Two purchase orders were noted to have no signature for approval. According to the "Accounting Procedures for Kentucky School Activity Funds" a purchase order should be approved by the sponsor and the principal before payments can be made.

#### **Management's Response**

The principal will appoint a designee to sign purchase orders in the event of an absence and a purchase that cannot be delayed.

#### **Supporting Documentation**

One instance was noted in which there was no purchase order or invoice for a disbursement. According to the "Accounting Procedures for Kentucky School Activity Funds" the school treasurer is required to match up the purchase order and invoice and verify all necessary signatures are obtained before disbursements are made. All documents for a disbursement should be filed together by month in check numerical order.

#### **Management's Response**

The purchase referred to has been reviewed and found to be a routine, allowable expenditure. The office staff will read and initial procedures relating to purchasing on page 11 of the "Accounting Procedures for Kentucky School Activity Funds"

#### **Use of Activity Funds**

Two disbursements were observed to be for staff lunches. According to the "Accounting Procedures for Kentucky School Activity Funds" no school activity money should be used to purchase personal items for staff members, including meals. Only staff generated funds may be used for staff dinners.

#### **Management's Response**

Other funds will be located for food to be used during staff training activities.

#### **Pre-numbered Checks**

Several checks were noted to be printed with a different check number than the pre-numbered check stub, which indicates pre-numbered checks are being used out of sequence. According to the "Accounting Procedures for Kentucky School Activity Funds" the use of pre-numbered checks is required for all disbursements. These should be used in the pre-numbered order and recorded in the accounting system using the same check numbers.

#### **Management's Response**

The error appears to be related to an incident where some checks were destroyed in going through the printer as the new accounting system was being implemented. The bookkeeper now knows the process to correct this instance. Office staff will read and initial the policy relating to purchasing and pre-numbered checks on page 11 of the "Accounting Procedures for Kentucky School Activity Funds".

## **WOODFORD COUNTY COMMUNITY EDUCATION CENTER**

### **MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2008

#### **Daily Deposits**

It was noted that one month's deposits were larger than normal and were also made less frequently. According to the "Accounting Procedures for Kentucky School Activity Funds" all money collected should be deposited on a daily basis. At a minimum, deposits should be made on a weekly basis even if the deposit amount is less than \$100.

#### **Management's Response**

Office staff will read and initial policy and procedure relating to handling cash on page 6 of the "Accounting Procedures for Kentucky School Activity Funds". Deposits are now being made more often, following the procedure.

#### **Pre-numbered Receipts**

One instance was noted in which a batch of pre-numbered receipts was missing in one month and used in the following month. Pre-numbered receipts should be used in sequential order.

#### **Management's Response**

Pre-numbered receipts will be used in sequential order.

#### **Multiple Receipt Forms**

Several multiple receipt forms were noted to be signed only by the teacher who collected the money. All multiple receipt forms should be signed and dated by the teacher and the school treasurer.

#### **Management's Response**

The person who collects funds will sign all multiple receipt forms. Office staff will read and initial policy and procedure relating to multiple receipt forms on page 7 of the "Accounting Procedures for Kentucky School Activity Funds", and deposits are now being made more often, following the recommended procedure.

#### **Prior Year Management Letter Comments**

Prior year comments on dual signatures and bank statement review have not been addressed and are repeated in the current year.